**Amended Rules regarding quoting of PAN for specified transactions**

**Chart highlighting the key changes to Rule 114B (effective from 01.01.2016) of the Income-tax**

**Act:**

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| **Sl.** | **NATURE OF TRANSACTION** | **MANDATORY QUOTING OF PAN (RULE 114B)** | |
| **Existing requirement** | **New requirement** |
| 1. | Immovable property | Sale/ purchase valued at Rs.5 lakh or more | i. Sale/ purchase exceeding Rs.10 lakh;  ii. Properties valued by Stamp  Valuation authority at amount exceeding Rs.10 lakh will also need  PAN. |
| 2 | Motor vehicle (other than two wheeler) | All sales/purchases | No change |
| 3. | Time deposit | Time deposit exceeding Rs.50,000/-  with a banking company | i. Deposits with Co-op banks, Post  Office, Nidhi, NBFC companies will also need PAN;  ii. Deposits aggregating to more than  Rs.5 lakh during the year will also need  PAN |
| 4. | Deposit with Post Office  Savings Bank | Exceeding Rs.50,000/- | Discontinued |
| 5. | Sale or purchase of securities | Contract for sale/purchase of a value exceeding Rs.1 lakh | No change |
| 6. | Opening an account (other than time deposit) with a  banking company. | All new accounts. | i. Basic Savings Bank Deposit Account excluded (no PAN requirement for  opening these accounts);  ii. Co-operative banks also to comply |
| 7. | Installation of telephone/  cellphone connections | All instances | Discontinued |
| 8. | Hotel/restaurant bill(s) | Exceeding Rs.25,000/- at any one time (by  any mode of payment) | Cash payment exceeding Rs.50,000/-. |
| 9. | Cash purchase of bank drafts/ pay orders/  banker's cheques | Amount aggregating to  Rs.50,000/- or more during any one day | Exceeding Rs.50,000/- on any one day. |
| 10. | Cash deposit with banking company | Cash aggregating to  Rs.50,000/- or more during any one day | Cash deposit exceeding Rs.50,000/- in a day. |

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| **Sl.** | **NATURE OF TRANSACTION** | **MANDATORY QUOTING OF PAN (RULE 114B)** | |
| **Existing requirement** | **New requirement** |
| 11. | Foreign travel | Cash payment in connection with  foreign travel of an amount exceeding Rs.25,000/- at any one time (including fare,  payment to travel agent, purchase of  forex) | Cash payment in connection with foreign travel or purchase of foreign  currency of an amount exceeding Rs.50,000/- at any one time (including fare, payment to travel agent) |
| 12. | Credit card | Application to banking company/ any other company/institution for credit card | No change.  Co-operative banks also to comply. |
| 13. | Mutual fund units | Payment of Rs.50,000/- or more for purchase | Payment exceeding Rs.50,000/- for purchase. |
| 14. | Shares of company | Payment of Rs.50,000/- or more to a company for  acquiring its shares | i. Opening a demat account;  ii. Purchase or sale of shares of an unlisted company for an amount  exceeding Rs.1 lakh per transaction. |
| 15. | Debentures/ bonds | Payment of  Rs.50,000/- or more to a company/ institution  for acquiring its  debentures/ bonds | Payment exceeding Rs.50,000/-. |
| 16. | RBI bonds | Payment of Rs.50,000/-or more to RBI for acquiring its bonds | Payment exceeding Rs.50,000/-. |
| 17. | Life insurance premium | Payment of  Rs.50,000/- or more in a year as premium to  an insurer | Payment exceeding Rs.50,000/- in a year. |
| 18. | Purchase of jewellery/bullion | Payment of Rs.5 lakh or more at any one  time or against a bill | Deleted and merged with next item in this table |
| **19.** | **Purchases or sales of goods or services** | **No requirement** | **Purchase/ sale of any goods or services exceeding Rs. 2.00 lakh per**  **transaction. (Irrespective of mode of**  **transaction)** |
| 20. | Cash cards/ prepaid instruments issued under  Payment & Settlement Act | No requirement | Cash payment aggregating to more than  Rs.50,000 in a year. |

**PROCEDURAL GUIDELINE ON POINT NO 19 –**

**PURCHASES OR SALES OF GOODS OR SERVICES EXCEEDING RS.2 LAKH PER TRANSACTION**

 Applicable on both Cash as well as Bank Transactions.

 Person who has issued any document shall ensure after verification that PAN has been correctly furnished and the same shall be mentioned in such document. Hence, it is advisable that copy of PAN is obtained and verified from income tax website.

 If any person enters in to said transaction and does not have PAN, he shall make a declaration in Form No. 60 giving therein the particulars of such transaction.

 *When accepting Form No 60, it should be ensured that:*

o *The person giving declaration has applied for PAN and filled details of application if his income exceeds maximum amount which is not chargeable to tax.*

o *Proof of identity and address has to be obtained by the person making declaration in Form 60.*

 *Persons covered under Point No 19 of the above who is required to get his accounts audited under section 44AB of IT Act, who has received any declaration in form No 60 on or after 1st Day of January, 2016 shall furnish the statement in Form No 61 containing particulars of such declaration, as under:*

o *If the declarations are received by the 30th Sept, such form 61 should be furnished by 31st of Oct of the Year; and if the declarations are received by the 31st March, such form 61 should be furnished by 30th Apr of the succeeding year.*

o *The above Form 60 Received should be retained for a period of six years from the end of the financial year in which the transaction was undertaken.*

**Rule 114E - Furnishing of statement of financial transaction (effective from 01.04.2016)**

Sub – Rule (2) of 114E states that the statement referred to in sub-rule (1) shall be furnished by every person mentioned in column (3) of the Table below in respect of all the transactions of the nature and value specified in the corresponding entry in column (2) of the said Table in accordance with the provisions of sub-rule (3), which are registered or recorded by him on or after the 1st day of April,

2016, namely:—

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| Sl.No. | Nature and value of transaction | Class of person (reporting person) |
| (1) | (2) | (3) |
| 1. | (a) Payment made in cash for purchase of bank  drafts or pay orders or banker’s cheque of an amount aggregating to ten lakh rupees or more in a financial year. (b) Payments made in cash aggregating to ten lakh rupees or more during  the financial year for purchase of pre-paid instruments issued by Reserve Bank of India under section 18 of the Payment and Settlement Systems Act, 2007 (51 of 2007). (c) Cash  deposits or cash withdrawals (including through bearer’s cheque) aggregating to fifty lakh rupees or more in a financial year, in or from one or  more current account of a person. | A banking company or a co-operative bank to which the Banking Regulation Act,  1949 (10 of 1949) applies (including any  bank or banking institution referred to in section 51 of that Act). |
| 2. | Cash deposits aggregating to ten lakh rupees or more in a financial year, in one or more accounts (other than a current account and time deposit) of a person. | (i) A banking company or a co-operative bank to which the Banking Regulation Act,  1949 (10 of 1949) applies (including any bank or banking institution referred to in  section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act,  1898 (6 of 1898). |
| 3. | One or more time deposits (other than a time deposit made through renewal of another time  deposit) of a person aggregating to ten lakh  rupees or more in a financial year of a person. | (i) A banking company or a co-operative bank to which the Banking Regulation Act,  1949 (10 of 1949) applies (including any  bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act,  1898 (6 of 1898); -8- (iii) Nidhi referred  to in section 406 of the Companies Act,  2013 (18 of 2013); (iv) Non-banking financial company which holds a certificate of registration under section  45-IA of the Reserve Bank of India Act,  1934 (6 of 1934), to hold or accept deposit from public. |

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| 4. | Payments made by any person of an amount aggregating to- (i) one lakh rupees or more in cash; or (ii) ten lakh rupees or more by any  other mode, against bills raised in respect of one or more credit cards issued to that person, in a financial year. | A banking company or a co-operative bank to which the Banking Regulation Act,  1949 (10 of 1949) applies (including any  bank or banking institution referred to in section 51 of that Act) or any other company or institution issuing credit card. |
| 5. | Receipt from any person of an amount aggregating to ten lakh rupees or more in a  financial year for acquiring bonds or debentures issued by the company or institution (other than  the amount received on account of renewal of the bond or debenture issued by that company). | A company or institution issuing bonds or debentures. |
| 6. | Receipt from any person of an amount aggregating to ten lakh rupees or more in a  financial year for acquiring shares (including share application money) issued by the company. | A company issuing shares. |
| 7. | Buy back of shares from any person (other than the shares bought in the open market) for an amount or value aggregating to ten lakh rupees  or more in a financial year. | A company listed on a recognised stock exchange purchasing its own securities under section 68 of the Companies Act,  2013 (18 of 2013). |
| 8. | Receipt from any person of an amount aggregating to ten lakh rupees or more in a financial year for acquiring units of one or more schemes of a Mutual Fund (other than the  amount received on account of transfer from one scheme to another scheme of that Mutual Fund) | A trustee of a Mutual Fund or such other person managing the affairs of the Mutual Fund as may be duly authorised by the trustee in this behalf. |
| 9. | Receipt from any person for sale of foreign currency including any credit of such currency  to foreign exchange card or expense in such  currency through a debit or credit card or through issue of travellers cheque or draft or  any other instrument of an amount aggregating to ten lakh rupees or more during a financial year. | Authorised person as referred to in clause  (c) of section 2 of the Foreign Exchange  Management Act, 1999 (42 of 1999). |
| 10. | Purchase or sale by any person of immovable property for an amount of thirty lakh rupees or more or valued by the stamp valuation authority referred to in section 50C of the Act at thirty lakh rupees or more. | Inspector-General appointed under section 3 of the Registration Act, 1908 or Registrar or Sub-Registrar appointed under section 6 of that Act. |
| **11.** | **Receipt of cash payment exceeding two lakh rupees for sale, by any person, of goods or services of any nature (other than those**  **specified at Sl. No. 1 to 10 of this rule, if any.** | **Any person who is liable for audit under section 44AB of the Act.** |

**PROCEDURAL GUIDELINE ON POINT NO 11 –**

**RECEIPT OF CASH PAYMENT EXCEEDING TWO LAKH RUPEES FOR SALE**

 In case of receipt of cash payment exceeding two lakh rupees for sale, by any person, of goods or services of any nature, who is liable for audit under section 44AB of the Act; he shall file duly verified statement of such transactions in Form no 61A as required to be furnished u/s

285BA(1).

 Such Form shall be furnished on or before 31st May, immediately following the financial year in which the transaction is recorded.

 There is no clarity with respect to threshold of Rs. 2 lakh. If the seller is expected to track individual buyer-wise cash sale exceeding Rs. 2 lakh during a financial year, it may cast a significant burden on seller of goods and service, particularly in the retail sector. The ambiguity on applicability of threshold, whether transaction basis or aggregate basis for the year, needs to be addressed.

**The amended rules relating to PAN reportable transactions have come into effect from 1st January 2016. Hence, taxpayers need to immediately take appropriate steps to avoid any penal consequences on account of non-compliance with the new rules.**

*Disclaimer:*

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